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SUBJECT: HONG KONG/TAIWAN: HIGH-LEVEL VISITS TO SPUR TIES

REF: HONG KONG 2002

Classified By: Consul General Joe Donovan for reasons 1.4 (B,D).

¶1. (C) Summary: Hong Kong-Taiwan relations have experienced a recent surge of activity, with Hong Kong's Secretary for Home Affairs Tsang Tak-sing becoming the first senior Hong Kong official since 1997 to visit Taiwan, when he led the Hong Kong and Macau delegation to the second World Buddhist Forum March 31-April 2. Taichung City Mayor Jason Hu then led a 90-member delegation to attend the first Hong Kong-Taiwan Inter-City Forum in Hong Kong April 14-17. These exchanges are the latest in a series of attempts to reinvigorate long-stalled Hong Kong-Taiwan relations as Hong Kong hopes to keep itself relevant amidst warming cross-Strait ties. Despite Hong Kong's recent overtures, and an invitation from Jason Hu to Chief Executive Donald Tsang to visit Taiwan, an official at Taiwan's defacto representative office told us Hong Kong is not a priority for them. Taiwan welcomes the latest engagement but does not see Hong Kong as playing a significant role in the overall cross-Strait dynamic. End summary.

¶2. (C) Comment: Hong Kong's relations with Taiwan are complex in that, while Hong Kong as a Special Administrative Region embodies in political terms a fate Taiwan rejects, Hong Kong as an economy is keen to remain relevant in a cross-Strait relationship now enjoying the three direct links. While Hong Kong and Taiwan have always enjoyed normal economic ties, Hong Kong's utility to Taiwan has mainly been as a "neutral" way station in the absence of the three direct links. Most observers agree Hong Kong still has something to offer in financial and legal services that Taiwan and the Mainland both need. Despite both sides publicly touting the mutual benefits of improved ties and economic cooperation, Hong Kong seems the suitor in this relationship and will need to be proactive in convincing Taiwan it should put effort and resources into the relationship. Increased exchanges, even if in an unofficial capacity, should help the Hong Kong government better understand Taiwan's goals for improved bilateral ties and adjust their strategy accordingly. End comment.

On the Right Track, But What Next?

¶3. (C) Hong Kong's Secretary for Home Affairs Tsang Tak-Sing, traveling explicitly in an "unofficial" capacity, led the Hong Kong and Macau delegation to the World Buddhist Forum held in Taiwan March 31-April 2. Tsang's visit, the first by a ranking official since the 1997 handover, was more important symbolically than substantively. While Tsang publicly made a point of not ruling out meeting Taiwan officials, no high-level meetings occurred during his stay in Taipei. Chung Hwa Travel Service (CHTS - Taiwan's defacto representative office in Hong Kong) Assistant Manager Chen Chia-Hong told us he believed Tsang did not request any high-level meetings because the Hong Kong government did not

want Tsang to steal the thunder from Secretary for Constitutional and Mainland Affairs (CMAB) Stephen Lam's expected official visit to Taiwan later this year. Chen contends it is both logical and "highly probable" for Lam to be the first official high-level Hong Kong visitor to Taiwan since CMAB is responsible for Hong Kong's relations with Taiwan. Lam reportedly is scheduled to attend the second Hong Kong-Taiwan Inter-City Forum to be held in Taichung City. Taichung City Mayor Jason Hu attended the inaugural forum held in Hong Kong April 15.

14. (C) Both sides have lauded the Hong Kong-Taiwan Inter-City Forum for establishing closer tourism and trade links between Hong Kong and Taichung. CHTS's Chen told us his office considered Hu's visit "successful" but noted concrete initiatives have yet to materialize from the exchange. CMAB characterized Hu's visit as "no less than a breakthrough". Local media widely reported Mayor Hu's proposal for stronger cooperation between Taiwan, Hong Kong, Guangdong and Fujian to create a "mega-region" that can bolster Hong Kong and Taiwan's overall competitiveness. Secretary Lam was quoted saying the concept was "entirely possible" but did not elaborate on a road map for moving toward that goal.

Are Both Sides on the Same Page?

15. (C) Since Hong Kong Chief Executive (CE) Donald Tsang first outlined several new initiatives to strengthen relations and cooperation with Taiwan last October (reftel), CMAB has emphasized the importance Hong Kong places on

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engaging Taiwan and the proactive approach taken by CMAB. For these efforts, CMAB has increased the budget for promoting Hong Kong-Taiwan liaison and exchange activities by 100% in 2009 to several million Hong Kong dollars and promising additional funds if needed. (Comment: Despite the increase, this amount seems hardly enough for any substantial initiatives other than some cultural and trade exchanges. End Comment.) CHTS's Chen has seen a definite attitude change in CMAB's handling of Taiwan affairs. While he can't say CMAB has greatly increased their interaction with CHTS, CMAB is more willing to highlight and participate in visits by important Taiwan personages, a marked departure from past preferences to downplay or ignore such visits.

16. (C) Taiwan welcomes the increased outreach, Chen contends, but in the larger cross-Straits context, Hong Kong is not a priority. All energies are focused on the next round of cross-Straits negotiations and on concluding an Economic Cooperation Framework Agreement (ECFA) with China. For example, Taipei has yet to identify a suitable counterpart to Hong Kong's quasi-official Trade Development Council to jointly run the Secretariat of the Hong Kong-Taiwan Business Cooperation Committee proposed by CE Tsang last October. Central Policy Unit (CPU - the Hong Kong government's internal think-tank) Senior Researcher Shiu Sin-por told us Hong Kong has completed all preparations for the committee, but Chen acknowledges Taiwan has not placed great priority on this endeavor. Chen understands Hong Kong is eager to "catch up" with improving cross-Straits ties, but thinks Hong Kong is too cautious to play a significant role in the overall cross-Straits dynamic.

17. (C) Shiu believes Hong Kong is unlikely to take any initiative that is not endorsed by Beijing. Despite public expectation CMAB's Lam will travel to Taiwan this year, Shiu contends no Hong Kong government official will visit Taiwan in an official capacity until a central government official sets the precedent. As long as China and Taiwan continue to use unofficial organizations such as the Association for Relations Across the Taiwan Strait and the Straits Exchange Foundation for negotiations, Shiu explains, Hong Kong will not initiate official contact. Shiu agrees Hong Kong likely

will increase visits by government officials to Taiwan, but they will at least nominally travel under some unofficial aegis.

DONOVAN